

Message Text

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STR FOR ACTION FOR STEVE LANDE

E.O. 11652: N/A

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SUBJ: TARIFFS: PROCEDURES FOR DC/LDC TARIFF NEGOTIATIONS

1. SUMMARY. DISCUSSIONS SUBSEQUENT TO TARIFF MEETING BETWEEN WASHINGTON AGENCY REPRESENTATIVES AND MTN DEL SUGGEST A CONSENSUS EXISTS ON SEVERAL ELEMENTS OF PROCEDURE AND TIMING FOR DC/LDC TARIFF NEGOTIATIONS. REQUEST EARLY TPRG REVIEW OF ESSENTIAL ELEMENTS TO PERMIT MTN DEL TO BEGIN INFORMAL CONTACTS WITH DC DELEGATIONS, AND SUBSEQUENTLY KEY LDCS TO SOLICIT SUPPORT AND REACTIONS PRIOR TO FINALIZING U.S. POSITION ON THIS QUESTION. END SUMMARY.

2. THE DEVELOPING NATIONS ARE SEEKING TO OBTAIN AGREEMENT ON THE ELEMENTS OF SPECIAL AND DIFFERENTIAL TREATMENT IN THE

CONTEXT OF THE TARIFF NEGOTIATIONS AT THE SAME TIME THE DEVELOPED NATIONS REACH AGREEMENT UPON A TARIFF-CUTTING FORMULA. THEY HAVE SAID THAT THEY ARE PREPARED TO NOTIFY
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DEVELOPED COUNTRIES OF THE SPECIFIC ITEMS IN WHICH THEY HAVE

AN INTEREST IN THE TARIFF NEGOTIATIONS, BUT THEY CLAIM THAT BEFORE THEY CAN DO SO INTELLIGENTLY THEY HAVE TO KNOW FIRST THE KINDS OF SPECIAL AND MORE FAVORABLE TREATMENT WHICH DCS ARE PREPARED TO ACCORD THEM. THE SPECIAL AND MORE FAVORABLE MEASURES WHICH THEY HAVE IN MIND INCLUDE NOT ONLY THOSE WHICH ARE MORE TRADE LIBERALIZING (I.E., DEEPER THAN FORMULA CUTS, FASTER STAGING, ETC.) BUT ALSO THOSE WHICH ARE NON-TRADE LIBERALIZING AND DESIGNED TO MAINTAIN MARGINS OF PREFERENCE. THE U.S. HAS FORMALLY PROPOSED A CROSS NOTIFICATIONS PROCESS, THE FIRST STAGE OF WHICH WOULD BE NOTIFICATIONS BY DEVELOPING COUNTRIES TO DEVELOPED COUNTRIES OF THEIR INTERESTS IN THE TRADE NEGOTIATIONS. THE U.S. HAS STATED ITS WILLINGNESS TO CONSIDER FAVORABLY TRADE-LIBERALIZING S&D MEASURES FOR LDCS BUT HAS NOT TAKEN A FORMAL POSITION ON NON-LIBERALIZING MEASURES. THE U.S. HAS BEEN GENERALLY SUPPORTED BY THE CANADIANS. THE EUROPEAN COMMUNITY HAS TABLED A PROPOSAL CALLING FOR PRIOR AGREEMENT ON SPECIAL AND DIFFERENTIAL MEASURES FOR DEVELOPING COUNTRIES AND HAS IDENTIFIED BOTH TRADE LIBERALIZING AND NON-TRADE LIBERALIZING ELEMENTS WHICH MIGHT BE ENCOMPASSED BY SUCH AN AGREEMENT. THE DEVELOPING COUNTRIES HAVE SEIZED UPON BOTH THE U.S. AND EC POSITIONS SAYING THAT THEY ARE PREPARED TO NOTIFY, AS CALLED FOR IN THE U.S. PROPOSAL, BUT ONLY AFTER AGREEMENT ON THE CONTENTS OF S&D MEASURES, AS CALLED FOR BY THE EUROPEAN PROPOSAL, AND THEY HAVE PROPOSED ADDITIONAL NON-TRADE LIBERALIZING MEASURES, BEYOND THOSE CONTEMPLATED BY THE EC, WHICH THEY BELIEVE SHOULD BE ELEMENTS OF S&D TREATMENT (E.G., BINDING GSP, BINDING PREFERENTIAL MARGINS, ETC.).

3. UNITED STATES POSITION. SO FAR THE U.S. HAS STATED ONLY THAT IT FAVORS A NOTIFICATION AND CONSULTATION PROCESS ON ITEMS WHERE LDCS HAVE A TARIFF NEGOTIATING INTEREST AND HAS STATED ITS WILLINGNESS TO CONSIDER TRADE LIBERALIZING S&D MEASURES. THE U.S. DOES NOT FAVOR NON-TRADE LIBERALIZING S&D MEASURES, THOUGH WE HAVE NOT TAKEN A FORMAL POSITION ON THE SUBJECT. HOWEVER, SUCH NON-LIBERALIZING MEASURES REPRESENT IMPORTANT OBJECTIVES OF DEVELOPING NATIONS AND WILL NOT BE ABANDONED AS PRINCIPLES WHICH THEY ARE SEEKING. MOREOVER, NON-LIBERALIZING MEASURES ARE EXPRESSLY CONTEMPLATED IN THE EC PROPOSAL. FURTHER, THERE IS EVERY REASON TO LIMITED OFFICIAL USE

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BELIEVE THAT, UNLIKE THE U.S., OTHER NATIONS ARE VERY MUCH PREPARED TO MAKE NON-LIBERALIZING TRADE CONCESSIONS TO LDCS. THE TRICK, THEN, IS TO FIND A WAY OF EXPRESSING U.S. OPPOSITIO TO NON-TRADE LIBERALIZING S&D TARIFF MEASURES, AND MAKING IT EFFECTIVE, WITHOUT AT THE SAME TIME BLOCKING AGREEMENT WITHIN THE GROUP IN THE S&D AREA, WHICH AS NOTED, IS TIED TO AGREEMENT ON A TARIFF-CUTTING FORMULA.

4. IN LENGTHLY DISCUSSIONS AMONG WASHINGTON AGENCIES REPS AND MTN DEL MEMBERS AFTER JULY TARIFF GROUPMEETING ON HOW TO BRING THIS RESULT ABOUT, AGREEMENT WAS REACHED THAT U.S. INTERESTS WOULD BE SERVED BY THE FOLLOWING SORT OF APPROACH. THE U.S. SHOULD INDICATE IT IS PREPARED TO AGREE TO THE EC PROPOSAL FOR DEFINING S&D TREATMENT, INCLUDING BOTH LIBERALIZING AND NON-LIBERALIZING ELEMENTS COUPLED WITH OUR OWN NOTIFICATION PROCESS. THAT IS TO SAY, WE WOULD AGREE THAT DEVELOPING NATIONS CAN MAKE REQUESTS OF THE U.S. IN THE TARIFFS AREA THROUGH THE OTIFICATION PROCESS SEEKING BOTH LIBERALIZING AND NON-LIBERALIZING RESULS. WE WOULD, HOWEVER, MAKE IT ABSOLUTELY PLAIN IN BILATERAL, PLURILATERAL AND MULTILATERAL MEETINGS THAT THE UNITED STATES DOES NOT FAVOR NON-LIBERALIZING MEASURES; BELIEVES NON-LIBERALIZING MEASURES ARE DETRIMENTAL TO THE INTERESTS OF DEVELOPING AND DEVELOPED NATIONS ALIKE, AS WELL AS TO THE INTERNATIONAL TRADING SYSTEM; AND EXPECTS TO TAKE A VERY NEGATIVE ATTITUDE TOWARD SUCH MEASURES. WE WOULD THEREBY PUT THE LDCS SQUARELY ON NOTICE THAT WE DO NOT ENVISION AGREEING TO LDC REQUESTS FOR NON-LIBERALIZING ACTION. FURTHER WE WOULD POINT OUT THAT ANY EXCEPTION TO THE GENERAL TARIFF-CUTTING FORMULA CLAIMED BY ANY DEVELOPED COUNTRY FOR THE PURPOSE OF MAINTAINING NON-LIBERALIZING ARRANGEMENTS ON BEHALF OF DEVELOPING COUNTRIES WOULD BE VIEWED BY THE UNITED STATES AS AN EXCEPTION-LIKE ANY OTHER EXCEPTION - AND WOULD HAVE TO BE PAID FOR BY THE DEVELOPED COUNTRY.

5. THUS, THE U.S. WOULD AVOID TAKING A STAND ON PRINCIPLE, RECOGNIZING THE CAPACITY OF LDCS TO MAKE REQUESTS OF US WHICH WE DON'T LIKE (JUST AS WE ARE MAKING REQUESTS OF THEM WHICH THEY DON'T LIKE) AND TAKING ACCOUNT OF THE INCLINATION OF MANY DEVELOPED NATIONS TO CONSIDER MAKING NON-LIBERALIZING CONCESSIONS TO DEVELOPING COUNTRIES. BUT AT THE SAME TIME LIMITED OFFICIAL USE

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WE WOULD PUT DEVELOPING COUNTRIES SQUARELY ON NOTICE THAT WE ARE NOT GOING TO MAKE NON-LIBERALIZING TARIFF ARRANGEMENTS AND THAT WE EXPECT TO REJECT REQUESTS TO THAT EFFECT. (WE WILL ALSO HAVE RETAINED OUR OPTIONS IN THE CONCEIVABLE EVENT THAT WE MAY ULTIMATELY DECIDE TO TRADE OFF MAINTENANCE OF A PREFERENCE WHICH FAVORS SOME DEVELOPING COUNTRY IF IT MAKES A PARTICULARLY VALUABLE CONCESSION TO US SOMEWHERE ELSE.) DEVELOPING COUNTRIES ARE THEREFORE GIVEN ENCOURAGEMENT TO ADOPT THE U.S. NOTIFICATION SCHEME, MARRY IT WITH THE EC NOTION OF PRIOR AGREEMENT ON S&D MEASURES, BUT WITH THE KNOWLEDGE THAT, FOR ITS PART, THE U.S. EXPECTS TO MAKE ONLY TRADE-LIBERALIZING S&D CONCESSIONS.

6. THERE IS INCREASING LDCS AWARENESS THAT SIGNIFICANT MFN CUTS CAN YIELD IMPORTANT ADVANTAGES TO THEM, PROBABLY OUT-

WEIGHING SUBSTANTIALLY ADVANTAGES FROM MAINTAINING MARGINS OF PREFERENCE. AT THE SAME TIME, HOWEVER, THESE NATIONS HAVE A POLITICAL INVESTMENT IN THE RHETORIC SUPPORTING MARGINS OF PREFERENCE. THE PRAGMATIC APPROACH SET OUT IN THE LAST TWO PARAGRAPHS PROVIDES A WAY FOR THSE NATIONS TO MAINTAIN THEIR POLITICAL STANCE (BY NOTIFYING NON-TRADE LIBERALIZING MEASURES WHICH THEY KNOW WE WON'T GRANT BUT WHICH THEY HAVE BEEN FRUTLESSLY ARGUING FOR OVER THE YEARS) BUT WHICH AT THE SAME TIME WILL FACILITATE AGREEMENT ON A TARIFF-CUTTING FORMULA WITH SIGNIFICANT MFN TARIFF CUTS (WHICH, THEY ARE COMING INCREASINGLY TO RECOGNIZE, IS STRONGLY IN THEIR INTEREST). IN SHORT, THIS APPROACH SEEMS TO MARRY THE INTERESTS OF THE U.S. BY SECURING ACCEPTANCE OF OUR NOTIFICATION SCHEME AND CLEARLY ENUNCIATING OUR BIAS AGAINST GRANTING NON-LIBERALIZING PREFERENCES, THOSE OF THE EC BY FACILITATING ACCEPTANCE OF ITS S&D PROPOSAL AND THOSE OF THE LDCS BY PROVIDING A FORMULATION FOR ACCEPTANCE OF S&D MEASURES AT THE SAME TIME AS DCS AGREE ON A TARIFF-CUTTING PROPOSAL.

7. ACTION REQUESTED. FORMAL INSTRUCTIONS BY AN EARLY DATE CONFIRMING U.S. POSITION SET FORTH IN THIS MESSAGE SO MTN DEL CAN LAY FOUNDATION WITH OTHER DELS TO ENSURE FULL UNDERSTANDING OF U.S. VIEWS. WALKER

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